Creating Livable Communities:
The Limits and Potential of Transit-Oriented Development

Written Statement of
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Chairman Dodd and members of the Committee, thank you for this opportunity to present my thoughts on transit-oriented development in promoting affordable housing and higher transit use in America's urban areas.

Transit-Oriented Development (TOD) has become a leading policy strategy among professional planners and advocates of transit. Most of the information you will be hearing today focuses on the potential of TOD's to increase affordable housing and transit use. My testimony will take a more skeptical view, although I do not believe this perspective is inconsistent with the mainstream research on this topic.

At its core, my testimony will focus on my belief that the discussion about transit and land development has the direction of causality reversed. Transit investments do not generate new development. On the contrary, I believe transit benefits from the development of more urban uses, and this is the effect we see in data on land development around transit stations (or TOD's).

1. Transit, Mobility, and TOD Investment

Transit, in this sense, is a supporting player in enhancing and fostering the development of urban neighborhoods. It is not a crucial driver of development. It is neither necessary nor sufficient to promote economic development in urban neighborhoods. The exception is highly urbanized areas where transit becomes a crucial alternative transportation mode if a sufficiently large and time efficient regional transit network exists. Manhattan, the Bronx, parts of Brooklyn, Arlington County, Virginia along the DC Metro Orange Line (but not Fairfax County) are examples of the level of urbanization necessary for transit to be a critical element of a local transportation system. Most of America, however, is not characterized by this level of urbanization. Indeed, only 20 percent of Arlington, Virginia lives within walking distance of a Metro stop.

Many in the professional planning community seem to take on faith the belief that mass transit is a substitute for the automobile when it comes to transportation choice. Unfortunately, transit is not a substitute for the mobility provided by automobiles for the vast majority of residents in U.S. urban areas. With the exception of the very small minority of residents that live within a quarter mile of a rail transit stop—the standard rule of thumb for attracting the maximum number of riders—transit is both slower and provides less connectivity than an automobile can provide. The preference for the automobile is not a matter of habit or culture; for the vast majority of Americans, it's a practical, flexible, and highly functional alternative to existing transit services.

This point is supported by research on the demographics of residents living near transit stops as well as their travel patterns. Even in exceptionally well serviced TOD's, such as Ballston, Clarendon or Court House in Arlington, Virginia, transit only accounts for between 30 to 35 percent of residents' commuting trips.[1] Most researchers recognize that one of the most important factors in determining transit ridership in TOD's is previous experience and preferences for transit (almost 40 percent of transit ridership, according to one study, is explained by prior transit use and the degraded quality of automobile service via congestion or poor road investments. More generally, transit captures about 15 to 30 percent of travel around heavy rail stations in higher density U.S. urban environments, including Chicago and San Francisco.[2] Even in Manhattan, most everyday travel is by foot or taxi, not transit.[3] Notably, even in Portland, Oregon, transit's share of trips in TOD's was 11.5 percent, while walking accounted for 27.0 percent of trips and automobiles still made up 58.1 percent.[4]

The *Los Angeles Times* analyzed travel behavior around transit stations in Los Angeles and came away with a healthy dose of skepticism as well. They report,

> [T]here is little research to back up the rosy predictions [of higher transit use]. Among the few academic studies of the subject, one that looked at buildings in the Los Angeles area showed that transit-based development successfully weaned relatively few residents from their cars. It also found that, over time, no more people in the buildings studied were taking transit 10 years after a project opened than when it was first built.[5]

The *Los Angeles Times* report involved two months of investigations that included interviews of residents, counting vehicle traffic and pedestrians.

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[1] G.B. Arrington, Robert Cervero, et al. *Effects of TOD on Housing, Parking, and Travel*, TCRP Report 128, Transit Cooperative Research Program, Transportation Research Board, Washington, D.C., p. 14.
[2] See the discussion in Sam Staley and Adrian Moore, *Mobility First: A New Vision for Transportation in a Globally Competitive 21st Century* (Lanham, MD: Rowman & Littlefield, 2008) and Ted Balaker and Sam Staley, *The Road More Traveled: Why the Congestion Crisis Matters More Than You Think, and What We Can Do About It* (Lanham, MD: Rowman & Littlefield, 2006), pp. 47-48, 95-96.
[3] See the discussion in Staley and Moore, *Mobility First*, Chapter 4.
[4] Arrington et al., *Effects of TOD on Housing, Parking, and Travel*, p. 33.
[5] Sharon Bernstein and Francisco Vara-Orta, "Near the Rails But Still on the Road," *Los Angeles Times*, June 30, 2007, http://www.latimes.com/news/local/la-me-transit30jun30,0,4693321.story

> The reporting showed that only a small fraction of residents shunned their cars during morning rush hour. Most people said that even though they lived close to transit stations, the trains weren't convenient enough, taking too long to arrive at destinations and lacking stops near their workplaces. Many complained that they didn't feel comfortable riding the MTA's crowded, often slow-moving buses from transit terminals to their jobs.
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> Moreover, the attraction of shops and cafes that are often built into developments at transit stations can actually draw more cars to neighborhoods, putting an additional traffic burden on areas that had been promised relief.[6]

This is not an isolated case. Researchers in Portland, Oregon examining transit-oriented development projects found very similar results.[7] Out of 73 trips leaving one development (including on bike, in autos, and by pedestrians), only 11 trips ended at the light rail station, with only four people actually walking to the station.

Ironically, this is also evidence of the importance of urban design and land use planning in ensuring the success of TOD's. The automobile, the principal alternative to transit, allows travelers to customize their transportation experience. Notably, auto users fully underwrite the capital costs of their vehicles as well as the vast majority of the capital costs of the infrastructure (through gas taxes). They fund these investments *and* subsidize transit. Yet, most people within TOD's still opt for automobile travel for non-commute trips as well as commuting trips. While TOD's reduce the overall number of trips by automobile, most of these missing trips result from the increased proximity of destinations (e.g., restaurants, neighborhood services) that do not require transit or cars.

The point is not that transit is irrelevant. Rather, the point is we should not presume that transportation "choice" (which almost always means more mass transit availability) in and of itself is sufficient to increase transit use in a significant way.

This point is illustrated by an illustrative comparison of investment around transit stations in the Dallas light rail network to estimates of investment in those areas (Table 1). Some stations, such as Park Lane and Mockingbird, have high levels of investment and light rail ridership. Others, such as City Place, Pearl, Westmoreland, and the VA Medical Center have high ridership but relatively low levels of investment.

Similarly, an analysis of development along the South Corridor of the Charlotte LYNX light-rail line found the incremental value of development to be less than 10% of the value estimated by the transit agency.[8] The city of Charlotte estimated the light rail line

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[6] Bernstien and Vara-Orta, "Near the Rails But Still on the Road."

[7] See John A. Charles, Jr. and Michael L. Barton, *The Mythical World of Transit-Oriented Development: Light Rail and the Orenco Neighborhood, Hillsboro, Oregon*, Portland: Cascade Policy Institute, April 23, 2003, http://www.cascadepolicy.org/pdf/env/I_124.pdf, and Michael L. Barton, *The Mythical World of Transit-Oriented Development: Steele Park in Washington County, Oregon*, Portland: Cascade Policy Institute, September 2003, http://www.cascadepolicy.org/pdf/env/I_125.pdf.

[8] David Hartgen, *Charlotte's LYNX Line: A Preliminary Assessment* (Raleigh, NC: John Locke Foundation), October 2008.

on the South Corridor was responsible for $1.86 billion in development along the corridor, including 1,175 housing units built by the Fall of 2008 and a commitment by developers to build another 6,406 housing units. After accounting for actual growth (versus announced growth), existing regional and local growth trends, and other factors, former University of North Carolina transportation studies professor David Hartgen estimated that the incremental effect of the investments in the light rail corridor amounted to about $246 million over 20 years.

Table 1: Dallas Light Rail Ridership and Investment at Light Rail Transit Stations

DART Light Rail Station	*Private Investment Near Transit Station* (thousands $)	*Transit Ridership* (annualized, unlinked)
Park Lane	$610,000	26,219
Mockingbird	$270,000	38,859
Plano (downtown)	$260,000	8,890
Galatyn Park	$141,300	3,983
Cedars	$134,200	13,002
Convention Center	$130,000	9,881
City Place	$115,000	25,831
Pearl	$100,000	27,444
Arapaho	$70,000	16,696
Westmoreland	$50,000	30,316
VA Medical Center	$39,000	26,868

Source: Data compiled by author from Dallas Area Rapid Transit ridership in 2007 and Bernard Weinstein and Terry Clower, "The Estimated Impact of New Investment Adjacent to DART LRT Stations, 1999-2005," September 27, 2005, Table 1, page 3, unpublished paper prepared for DART available at http://www.community-wealth.org/_pdfs/articles-publications/tod/paper-weinstein-clower.pdf, last accessed 23 March 2009.

2. The Role of Transit-Oriented Development

Clearly, the relationship between investment near rail stations and transit ridership is not direct. What accounts for the weakness of this relationship?

In part, transit still doesn't attract enough riders in most cases to significantly impact investment decisions. Business enterprises depend on substantial patronage from non-transit riders to generate sufficient revenues to justify their investment. Moreover, as the Dallas data suggest, transit ridership may vary significantly from station area to station area. Thus, road and highway connectivity to the larger region is still a crucially important factor in ensuring the success of investments in TOD.

Another important factor is the inherent inefficiency of transit compared to more flexible modes such as the automobile, walking, or even bicycles. Unlike suburban locations, where the automobile provides far reaching access to neighborhood services and jobs, urban environments have higher densities and lower general levels of mobility. Transit provides an alternative, but its mobility benefits are limited to trips outside the immediate neighborhood and travel is restricted to a more limited number of destinations compared to those achievable via the automobile. In a suburb, a pharmacy may be within five or ten minutes by automobile. In an urban environment, transit is unlikely to provide similar access once wait times at the station and walk times from and to the destination are factored in.

Urban places such as TOD's must offer significant non-transportation benefits—walkability, mixed uses, public safety, quality housing, urban parks, etc.—to offset the inherent mobility limitations of transit. Pharmacies, grocery stores, hair salons, and other residential services are provided within walking distance. In most cases, the benefits of TOD's are manifest in a more urban living environment compared to very low density suburban locations. Great urban places are a necessary condition for achieving higher transit use.

Thus, in my view, great urban places and higher transit use is not a "chicken and egg" problem. Great urban places come first because the benefits of these places offset the individual (and aggregated social) costs of greater dependence on a less flexible, restricted mode of transportation. Higher transit use is an outcome, not an input, in the creation of substantial urban places, a key goal of TOD's.

3. Moving Forward

This skepticism aside, Transit-Oriented Development, when provided in the right urban context, has a positive impact on property values and transit use. I believe this is clear from the most recent evidence on property values and ridership trends around most transit stations although the magnitude of these effects varies significantly.

As federal, state, and local policy makers move forward to maximize the economic and transportation benefits from transit-oriented development, I believe the following principles should be kept in mind:

A. *Transit accessibility is a supporting player, not the driver of TOD success*. Transit provides benefits to the extent that it provides a meaningful alternative mode that improves mobility. Thus, transit-oriented development is less about transit than it is about facilitating more urbanized development that includes higher densities, a

greater mix of housing types—more "rungs" on the housing ladder—and diverse commercial and neighborhood focused land uses.[9]

B. *Successful TOD's complement existing development patterns*. TOD's do not impact a large enough land area to change regional growth patterns. Rather, they can help concentrate certain types of economic and residential activity most suited to high density and mixed uses in specific areas. TOD's, in and of themselves, should not be used to influence overall economic development or redirect it.

C. *Higher property values from densification can become an important alternative source of financing for transit stations*. Indeed, the degree to which land value capture can be used to finance the capital investments in transit stations is an important market test of the viability of the transit stop. Allowing special taxing districts to finance transit station development provides a practical mechanism for ensuring those that benefit most directly from the investment also finance the project and is preferable to using general tax revenues or diverting revenues from non-users. Thus, land value capture is consistent with a broader "user pays" principle that is likely to become a general core principle of transportation finance.

D. *Land markets should be allowed to adjust to take advantage of the demand for higher density and mixed use development*. This is particularly important in suburban locations that are capable of supporting economically viable urban uses. The lesson from Arlington, Virginia, is one of accommodating market-driven demand for more urban uses. Good planning should enable land developers to capitalize on the potential land and development value. Notably, planning does not create the value; rather it enables the value to be captured by the private sector (through real estate development) and the public sector (through property taxes).

E. *Property values increase when travel efficiencies (and benefits) are tangible and measurable.* While transit is an important component of a successful TOD in an urban area, planners and policymakers cannot ignore other modes, particularly the automobile. In most TOD's, the automobile will continue to be the principal trip mode. In short, planning should focus on improvements in mobility, not target specific modes. Thus, TOD investments should reduce "generalized" travel costs for businesses and residents in the area.

Several federal initiatives could play a role in ensuring TOD's are productive and economically successful, including:

- *Performance-based approaches to funding TOD projects*. As more research is completed on successful (and unsuccessful) TOD's, federal policy should focus on prioritizing projects based on 1) best practices, 2) their ability to promote

[9] An in-depth analysis of the housing ladder and its role in providing affordable housing can be found in Howard Husock, "Repairing the Ladder: Toward a New Housing Paradigm," (Los Angeles: Reason Foundation, 1996), http://www.reason.org/news/show/127579.html

market-driven development without subsidy, and 3) encourage transit ridership consistent with promoting the long-term financial viability of transit services.

- *Emphasizing incentives rather than mandates*. Transit and regional planning agencies should retain the discretion to design transit systems based on their own priorities and policy goals. Local and regional transportation agencies should retain the ability to pursue these goals independent of federal policy goals (and forego federal funding). Federal policy should not override local and regional decisions although federal funding for projects can be prioritized and contingent on the likelihood of meeting performance goals.
- *Ensuring zoning compatible with the urban uses necessary to support transit is in place before capital investments in track, rolling stock, and the network are in place*.
- *Enabling where possible the ability of local transit agencies to use value capture to finance elements of the network, including transit station investments, road network improvements, and core infrastructure necessary to improve mobility in the TOD.*
- *Enabling the use of Public Private Partnerships to develop transit stations and station area's to leverage private capital that is sensitive and accountable to market demand and trends.*

In sum, federal policy should focus on strengthening the financial and economic viability of local transit agencies and systems to ensure their long-term viability independent of federal funding. TOD's have a role to play in this process as a means of creating urban places that not only increase transit ridership but help cities adapt to the changing housing and transportation needs of neighborhoods evolving into more urban places. By enabling the use of private capital to develop land consistent with market trends, federal policy can help lay a foundation for the long-term sustainability of cities.